

Message Text

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ORIGIN STR-04

INFO OCT-01 IO-13 ISO-00 FEA-01 CIAE-00 DODE-00 NSAE-00

NSCE-00 SSO-00 USIE-00 INRE-00 AGR-05 CEA-01 COME-00

EB-07 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04 NSC-05

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SP-02 OMB-01 AF-08 ARA-06 EA-07 EUR-12 NEA-10 OIC-02

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LABOR:DWANNAMAKER

COMMERCE:SCRAVEN

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FM SECSTATE WASHDC

TO USDEL MTN GENEVA IMMEDIATE

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E.O. 11652:

TAGS: ETRD, MTN

SUBJECT: APRIL 26 MEETING OF 7 PLUS 7

1. U.S. VIEWS ON BRAZILIAN PROPOSAL AS SET FORTH IN MACIEL MEMORANDUM, ARE EXPLAINED FULLY IN TEXT OF LETTER OF APRIL 16 FROM AMBASSADOR YEUTTER TO MACIEL, COPY TO AMBASSADOR WALKER.

BEGIN TEXT

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I READ WITH GREAT INTEREST YOUR MEMORANDUM PROPOSING A NEW MTN GROUP TO EXAMINE POSSIBLE IMPROVEMENTS IN THE INTERNATIONAL FRAMEWORK FOR TRADE, WHICH YOU SO KINDLY MADE AVAILABLE TO OUR DELEGATION IN GENEVA. AS YOU UNDOUBTEDLY KNOW, THIS PROPOSAL WAS DISCUSSED IN WASHINGTON AT THE MARCH 12TH MEETING OF THE US-BRAZIL CONSULTATIVE SUB-GROUP ON TRADE. AT THAT TIME, ALTHOUGH WE INDICATED THAT WE TOO HAVE AN INTEREST IN FRAMEWORK IMPROVEMENT, WE STATED SOME OF OUR RESERVATIONS

PERTAINING TO YOUR PROPOSAL. IT MAY BE USEFUL FOR ME TO REITERATE THOSE RESERVATIONS HERE.

YOUR PROPOSAL PRIMARILY ADDRESSES THE CONCERNS OF THE DEVELOPING COUNTRIES WITH THE CURRENT GATT RULES. WE ARE WILLING, OF COURSE, TO DISCUSS THESE CONCERNS, BUT BELIEVE THAT THE SUCCESS OF FRAMEWORK IMPROVEMENT EFFORTS WILL DEPEND LARGELY UPON OUR ABILITY TO FIRST IDENTIFY SPECIFIC REFORM ISSUES WHICH CAN BE NEGOTIATED WITHIN THE MTN TIMEFRAME AND THEN TO MAINTAIN A FOCUSED DISCUSSION OF SUCH ISSUES. I FEAR THAT IF WE WERE TO DISCUSS SPECIAL MEASURES AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES ON THE BASIS OF GENERAL PRINCIPLES AND LEGAL OBLIGATIONS OF THE TRADING SYSTEM, WE WOULD AT THE VERY OUTSET NARROW THE RANGE OF POSSIBLE SOLUTIONS AND INCREASE THE DIFFICULTY OF AGREEMENT. I MUST EMPHASIZE THAT WE CAN ACCEPT NEW OR ADDITIONAL PROVISIONS FOR SPECIAL MEASURES AND DIFFERENTIAL TREATMENT ONLY AS EXCEPTIONS TO THE EXISTING GENERAL PRINCIPLE OF MOST-FAVORED-NATION TREATMENT OF THE GENERAL AGREEMENT. IN THIS REGARD, YOU ARE AWARE OF THE LEGAL AND PRACTICAL CONSTRAINTS ON THE U.S. TO NEGOTIATE PREFERENTIAL ARRANGEMENTS FOR DEVELOPING COUNTRIES.

SECONDLY, BECAUSE OF THE POTENTIAL BREADTH AND AND COMPLEXITY OF QUOTE GATT REFORM END QUOTE, IT WOULD BE IMPOSSIBLE TO COMPLETE A FULL REVIEW OF THE ARTICLES OF THE GENERAL AGREEMENT WITHIN THE TIMEFRAME OF THE MTN. IN FEBRUARY, I PROPOSED THAT SUCH A REVIEW (INCLUDING, AT THE APPROPRIATE TIME, AN EXAMINATION OF LIMITED OFFICIAL USE

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THE IMPLICATIONS FOR THE GATT OF AGREEMENTS NEGOTIATED IN THE MTN) BE TAKEN UP IN THE CONSULTATIVE GROUP OF 18 PRECISELY BECAUSE THE SCOPE OF SUCH AN EFFORT WOULD BE TOO BROAD FOR THE MTN.

FINALLY, A RELATED CONCERN WHICH I ALSO RAISED AT THE MEETING OF THE CONSULTATIVE GROUP IS THE NEED TO ENSURE THAT A REFORM GROUP NEITHER DUPLICATES NOR DELAYS THE

WORK CURRENTLY UNDERWAY IN OTHER MTN GROUPS. SEVERAL ASPECTS OF QUOTE FRAMEWORK IMPROVEMENT END QUOTE ARE

CURRENTLY BEING NEGOTIATED IN THE MTN. IF SOLUTIONS REACHED WERE TO BE REOPENED IN A REFORM GROUP, THE PROSPECTS FOR MUTUALLY SATISFACTORY AGREEMENTS WOULD BE SERIOUSLY COMPROMISED AND IMPLEMENTATION OF SUCH

AGREEMENTS JEOPARDIZED. ACCORDINGLY, I AM TROUBLED BY YOUR SUGGESTION THAT THE PROPOSED REFORM GROUP QUOTE HARMONIZE, CONSOLIDATE, AND PUT INTO THE APPROPRIATE LEGAL FRAMEWORK AGREEMENTS REACHED IN OTHER GROUPS OF THE TNC END QUOTE, AND RECEIVE FROM OTHER GROUPS QUOTE AGREED

RULES FOR INCORPORATION IN A FINAL PACKAGE FOR GATT REFORM END QUOTE. THESE STATEMENTS SEEM TO IMPLY THAT THE GROUP WOULD HAVE AUTHORITY TO ALTER OR MODIFY AGREEMENTS REACHED IN OTHER GROUPS. HOW CAN THIS BE ACCOMPLISHED IN A MANNER CONSISTENT WITH THE STIPULATION THAT THE REFORM GROUP NOT QUOTE SEEK TO REOPEN ISSUES OR RENEGOTIATE AGREEMENTS WHICH HAVE BEEN SETTLED IN OTHER GROUPS END QUOTE?

OUR RESERVATIONS SHOULD NOT BE INTERPRETED TO MEAN

THAT WE WISH TO PRECLUDE THE INTRODUCTION OF REFORM ISSUES WHICH ARE SUITABLE FOR NEGOTIATION IN THE MTN. I BELIEVE, HOWEVER, THAT IT WILL BE NECESSARY FOR US TO DISCUSS SPECIFIC REFORM ISSUES TO DETERMINE THOSE WHICH MAY BE APPROPRIATE FOR REVIEW BY AN MTN REFORM GROUP. OUR OWN REVIEW HAS LED US TO CONCLUDE THAT MANY OF THE ISSUES WHICH MIGHT APPROPRIATELY FALL UNDER THE RUBRIC OF GATT REFORM ARE ALREADY UNDER NEGOTIATION IN LIMITED OFFICIAL USE

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EXISTING MTN GROUPS AND SUB GROUPS. I BELIEVE THAT THE NEGOTIATIONS ALREADY UNDERWAY IN THESE GROUPS OFFER THE MOST PRAGMATIC POSSIBILITY OF INCORPORATING MUTUALLY ACCEPTABLE SPECIAL MEASURES AND DIFFERENTIAL TREATMENT FOR DEVELOPING COUNTRIES.

WE REALIZE THAT SOME SPECIFIC REFORM ISSUES MAY NOT BE RELATED TO ISSUES ALREADY UNDER NEGOTIATION, AND WE WOULD BE WILLING TO CONSIDER THE ESTABLISHMENT OF A SEPARATE GROUP FOR THIS PURPOSE. HOWEVER, SUPPORT FOR SUCH AN ENDEAVOR WILL BE CONTINGENT UPON IDENTIFICATION OF SUCH ISSUES IN LIGHT OF THE FOLLOWING CRITERIA:

(1) WORK IN OTHER GROUPS OF THE MTN WILL NOT BE

DUPLICATED OR DELAYED BY THE REFORM GROUP;

(2) THE WORK PROGRAM OF THE REFORM GROUP IS CLEARLY DELIMITED, AND IS SUCH THAT IT CAN BE COMPLETED IN THE TIME-FRAME OF THE MTN I.E., BY THE END OF 1977; AND

(3) REFORM ISSUES OF INTEREST TO BOTH DEVELOPED AND DEVELOPING COUNTRIES ARE CONSIDERED.

I HOPE TO HAVE AN OPPORTUNITY TO DISCUSS FURTHER WITH YOU ON A BILATERAL BASIS THE PROCEDURAL AND SUBSTANTIVE IMPLICATIONS OF YOUR PROPOSAL, AS EXPLAINED IN YOUR MEMORANDUM. I SUGGEST THAT WE ARRANGE TO DO SO

IN THE NEAR FUTURE - IN WASHINGTON D.C., GENEVA, OR BRASILIA. I AM ENCOURAGED BY OUR PREVIOUS DISCUSSION AND EXCHANGE OF IDEAS AND BELIEVE THAT WE CAN WORK OUT A SATISFACTORY AGREEMENT FOR THE HANDLING OF THIS ISSUE. I LOOK FORWARD TO A FULL AND FRANK DISCUSSION.

IN THE MEANTIME, SHOULD YOU HAVE ANY QUESTIONS IN CONNECTION WITH THE VIEWS I HAVE EXPRESSED IN THIS LETTER, PLEASE CONTACT ME DIRECTLY, OR FEEL FREE TO DISCUSS THEM WITH AMBASSADOR WALKER.

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END TEXT

2. U.S. DEL SHOULD DRAW ON VIEWS EXPRESSED IN LETTER AT 7 PLUS 7 MEETING. IN PARTICULAR THE NEED TO FOCUS ON SPECIFIC REFORM ISSUES IN LIGHT OF CONDITIONS STATED IN LETTER SHOULD BE EMPHASIZED. IN THIS CONNECTION, YOU MIGHT NOTE THAT SOMETHING MORE THAN A LISTING OF THE GATT ARTICLES WHICH COULD BE MODIFIED IS REQUIRED. THERE SHOULD BE INDICATION OF THE NATURE OF THE REFORM SOUGHT.

3. GIVEN THE EVIDENT RELAXATION ON PRESSURE FOR APPROVAL OF A REFORM GROUP AT THE JULY TNC, WE MAY NOT NEED EXTENSIVE BILATERAL CONSULTATIONS BEFORE THE 7 PLUS 7 MEETING. HOWEVER, IT MIGHT BE USEFUL TO CONTACT THE BARZILIANS TO DETERMINE WHETHER THEY MAY HAVE ANY QUESTIONS ON THE YEUTTER LETTER AND PERHAPS OTHER KEY DELEGATIONS TO INDICATE THE THRUST OF CURRENT U.S. THINKING. KISSINGER

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